

Message Text

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SUBJECT: ERITREA - ECONOMIC SELF-SUFFICIENCY

1. SUMMARY: ERITREA'S ABILITY TO SURVIVE AS AN ECONOMIC ENTITY IS OFTEN RAISED WHEN DISCUSSING ITS POSSIBLE POLITICAL INDEPENDENCE. ERITREA IS ECONOMICALLY INTERDEPENDENT ON ETHIOPIA. IF PRESENT TRADE RELATIONS WERE SEVERED BY ETHIOPIA, ERITREA WOULD REQUIRE SHORT AND MEDIUM-TERM SUBSIDIES TO HEAD OFF WIDESPREAD SUFFERING. HOWEVER, WITH LAND REFORM AND IRRIGATION IN SOME AREAS, ERITREA COULD PROBABLY FEED ITS OWN POPULATION OVER THE LONG TERM. ERITREA HAS PROVEN COMMERCIAL COPPER RESERVES AND THE POSSIBILITY OF PETROLEUM OR GAS RESERVES. END SUMMARY.

2. ERITREA IS A NET IMPORTER OF GRAIN, OILSEEDS AND PULSES. WHEAT, TEFF, AND SORGHUM COME FROM BEGEMDIR AND NORTHERN WOLLO; OILSEEDS FROM HUMERA, TIGRE, AND NORTHERN WOLLO AND GOJAM. BANNING THIS TRADE, OR INHIBITING IT WITH EXCESSIVE TARIFFS, WOULD HAMPER OFFICIAL REVENUE FROM THE EXPORT OF OILSEEDS. HOWEVER, THE PRESENT TRADE PATTERN COULD CONTINUE ON AN UNOFFICIAL BASIS. AS AN EXAMPLE OF UNOFFICIAL TRADE, ERITREA EXPORTED ETH \$38,000,000 OF GUM ARABIC IN THE FIRST EIGHT MONTHS OF 1974, ALL OF WHICH ORIGINATED IN THE SUDAN. WITH IMPROVED IRRIGATION, ERITREA COULD EXPAND ITS PRODUCTION AND EXPORT OF

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FRESH FRUIT AND VEGETABLES. THE MARKET IS ALREADY ESTABLISHED

IN THE MID-EAST AND ERUOPE.

3. ERITREA'S MINERAL RESOURCES, WHICH ARE LARGELY UNTAPPED, COULD BE A SOURCE OF VALUABLE FOREIGN EXCHANGE. NINETEEN HUNDRED METRIC TONS OF COPPER WERE EXPORTED IN JANUARY 1974 FROM THE ETHIO-NIPPON DEBARWA MINING SITE. WORK AT THE SITE WAS STOPPED IN MARCH 1974 AFTER AN ATTACK BY THE ELF. MANAGEMENT PERSONNEL OF ETHIO-NIPPON MINING REPORT THAT OTHER SITES IN THEIR CONCESSION HAVE LARGER COPPER DEPOSITS OF EQUALLY HIGH QUALITY (8 PER CENT COPPER). THEY ALSO REPORT DEPOSITS OF GOLD AND URANIUM IN ERITREA. DURING THE SUMMER OF 1973, TWO OFFSHORE WELLS WERE DRILLED BY AN AMERICAN COMPANY, NORTH OF MASSAWA. WHILE BOTH WELLS WERE DRY, MORE EXTENSIVE EXPLORATION IS REQUIRED FOR ACCURATE EVALUATION OF PETROLEUM RESERVES. ERITREA'S MINERAL RESOURCES COULD PROVIDE SUBSTANTIAL INCOME IN THE LONG RUN, BUT OFFER NO PANACEA FOR THE IMMEDIATE ECONOMIC PROBLEMS. PERRY

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